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Submission date: 15-Sep-2021 12:39PM (UTC+0700)

Submission ID: 1648877803

File name: Impact_of_Halal_Labeling_on_Brand_Image_on_Cosmetic_Product.pdf (4.45M)

Word count: 3555

Character count: 18886

Impact of Halal Labeling on Brand Image on Cosmetic Product

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Abstract - Indonesia has the largest number of Muslims in the world. Consequently, the halal product market has a high demand from customers. In addition, Halal Brand image is one of the company's strategies to attract many consumers. The purpose of this study is to measure the impact of halal labeling on brand image. The case study of this research was conducted in Indonesia by making cosmetic products that have halal labeling. This research used quantitative methods with a structural equation modeling approach and has 200 sample data. The results of this study found that the performance of the halal labeling had a significant effect on the brand image of halal product cosmetics of 97.4%. The implication of this research shows that the inclusion of halal labeling on cosmetic products has a good effect on brand image. Further research is suggested to conduct a study of product name selection to implement the concept of halal on the product. It aims to increase consumer confidence in buying cosmetic products.

Keywords - Brand image, cosmetic product, halal labeling, structural equation modeling

I. INTRODUCTION

Cosmetics are one of the daily products with high demand to meet the needs of various consumers. However, the choice of cosmetic products has various risks because these products contain chemicals that do not always have the same effect for every consumer [1]. Consequently, consumers are more selective in choosing cosmetics brands that suit their needs. Furthermore, consumers are more careful in choosing cosmetics because they have several reasons, including health factors and the level of ideology for Muslim consumers [2]. Halal cosmetics are selected for Islamic consumers who want to look elegant but do not violate religious teachings. Therefore, it uses raw materials or additives from various types of animals or microbial processes whose growth media are not known.

Moreover, the growth of the cosmetics industry in Indonesia has market potential. Fig. 1 shows the increase in distribution licenses for cosmetic products that are controlled by the government. Thus, cosmetic companies are expected to have a strategy to be able to attract consumers to buy this product. Purchasing decisions are several steps undertaken by consumers before making a purchase decision. A study revealed that one of the factors that drive consumers to buy goods is the brand image of the product [3].

This case study is done at the company that manufactures cosmetics products with the halal labeling certificate in Indonesia. Fig. 1 shows this product grows into halal cosmetic products and develops quickly. Especially, cosmetic products that used halal labeling were increasing than other products. The strategy of inclusion of halal labeling on cosmetic products needs to be investigated. It related to the influence of the inclusion of halal labeling of products that can affect the level of cosmetics sales. To solve this problem, it is necessary to apply the structural equation modeling method for analyzing the relationship between the variables used. Furthermore, the variables used in this study were halal labeling variables and brand image variables. Thus, the purpose of this study was to determine the halal labeling indicators related to the brand image of a cosmetic product. Then, it was proceeded to measure the impact of halal labeling on brand image in halal-certified cosmetics.

II. IMPACT OF HALAL LABELING ON BRAND IMAGE

Halal has the meaning of justifying or allowing an act and the opposite of the word haram. It means a strict prohibition to be shunned in Islam. Furthermore, products for consumers must bear the halal labeling. It aims to provide information that the product has passed the quality test by the authorized agency. The authorized institution in Indonesia in conducting halal tests on the quality of food, drug, and cosmetic products was LPPOM MUI. This institution functions to certify a product based on the inspection stages to be consumed by consumers. A study stated that Halal labeling was a statement of halal on product packaging to reveal that the product was suitable for consumption [4]. The issuance of halal certificates by LPPOM MUI maintains credibility and trust in products to be accepted and recognized by consumers.

Moreover, Hasibuan et al. (2017) stated the implementation of the halal concept was an awareness or commitment of consumers about the overall process of products in the form of food and goods. Thus, consumers had confidence in the quality to be consumed. Furthermore, this research, based on a previous study, described that the variable of Halal labeling used five indicators involving the attention level, trust level, knowledge level, quality of understanding, and ability to remember. A study explained the attention level in the

form of observing consumer behavior in paying attention to halal labeling before buying a product [6]. The trust level comes from consumers because there was a halal label representing quality in the process of making products and their composition [7]. Furthermore, the knowledge level about halal labeling on original and official products was issued by the Halal certification body [8]. Furthermore, the quality of understanding in the form of understanding of the scope of the halal label included safety in using the product so that the product becomes a choice [9]. Maison et al. (2018) explained the ability to remember to explain halal forms and labels on the product. Thus, the product purchased was genuine and not an imitation.

Brand image is used to build product images to be known by consumers. Lu and Chen (2017), in his research, stated that brand image was an impression according to the knowledge level about people, products, and situations. Indeed, brand image is the consumers' perception of business units in serving consumers. By creating the right brand image for a product, it was undoubtedly beneficial for the industry because brand image affected consumers' assessment of the expected alternative brands [12]. The best brand image of the product consisted of consumer loyalty, consumer trust, and willingness to search for brands. It is a brand of a company's promise to consistently providing specific characteristics, benefits, and services to the buyer.

The brand image variable in this study was divided into five indicators, including brand awareness, brand association, brand loyalty, brand equity, and perceived quality. Ambolau et al. (2015) explained brand awareness was the recall of a product brand to be the initial choice because it was familiar. The brand association in the form of a long time has known the product, product availability, product safety, and price conformity with quality by the manufacturer [3]. Shabbir et al. (2017) explained that brand loyalty was the time consumers buy products, recommend to other consumers, were not affected by other products, and were loyal to the product. Then, the brand equity means the cause of the consumer to make a repeat purchase due to satisfaction, info from social media, and in meeting with expectations [15]. Furthermore, the perceived quality was the image of a product or reputation in the market because of its quality and uniqueness compared to similar products [16]. Therefore, this study implies the following hypothesis context, and it can be seen in Fig. 2.

Hypothesis 1: Halal labeling is positively associated with the brand image.

III. METHODOLOGY

This research used a quantitative approach in which data collection location was carried out in one area in Indonesia. Moreover, this study used 200 sample data, where population determination and sampling techniques used probability sampling. The respondents were

consumers who used cosmetics with different backgrounds and ages. Furthermore, information on halal product cosmetics was obtained from advertisements, newspapers, magazines, and the internet. The data analysis technique used the structural equation modeling (SEM) method to thoroughly explain the relationship between variables in this study [17]. This method can build a hypothetical model consisting of structural models and measurement models in the form of a path diagram based on theoretical justification. Thus, this study uses SEM rather than regression analysis because it allows for more flexible assumptions and the attractiveness of a graphical modeling interface to make it easier for users to read the output of the analysis results.

Structural equation modeling was a collection of statistical techniques that allow testing a series of relationships simultaneously because the relationship is built between one or several independent variables. The initial stage in data analysis was to build a theoretical model consisting of several indicators related to the variable of halal labeling (HL) and indicators about variables of brand image (BI). Besides, several tests were performed, including validity test and reliability test through SPSS software. This testing aims to determine the consistency of the indicators used. Then, the model development was carried out by converting to a structural equations model through exogenous concepts for halal labeling variables and endogenous concepts for brand image variables. Furthermore, the structural model was identified by AMOS Software as a condition for further analysis. Regression weight testing was done to determine the significant relationship between variables and indicators, which was indicated by the symbol (***). If one indicator was invalid, the indicator was deleted and tested again until all indicators used were valid. Then, proceed to assess the Goodness of Fit Model to meet the requirements that have been made. Furthermore, the assessment of the Goodness Of Fit model involving Chi-Square, Probability, df, GFI, AGFI, TLI, and RMSEA values.

IV. RESULTS

Data were collected from several cosmetic products with Halal Certification in its product. The sample included females from every age group, academic degree, source of information, and period of experience. The result of data analysis of the representative sample showed that 20-22 years with 1-2 years experience, mostly holding low than a bachelor's degree, was more significant than other samples. Frequencies and percentages can be seen in Table 1. Based on the research framework, analysis structural equation model developed path coefficients of the hypothetical model of halal labeling (HL), and brand image (BI) are shown in Fig. 3.

The model in this study has been accepted according to the Goodness of fit value involving a chi-square statistic, GFI, AGFI, CFI, NFI, RMSEA, SRMR, and TLI.

All of these conditions must be fulfilled in a model. Then, this case study found that all goodness of fit measurement has good fit status, and it can be seen in table 2. The model showed that the knowledge level on Halal Labeling was the most influencing with a value of 0.66, and the attention level indicator with a value of 0.57 showed the lowest value. In Brand Image (BI), the brand association has the most substantial influence with a value of 0.99 and the lowest on the indicator of brand awareness with a value of 0.53. Besides, Table 3 shows the estimated parameter values between the Halal labeling variables on the brand image having a positive influence of 0.974 with a significant level of CR of $6.021 > 1.96$ at the probability *** level, which means significant at $p = 0.001$. Hypothesis test results indicate that Halal labeling has a positive and significant effect on the brand image of 0.974 or 97%.

IV. DISCUSSION

This study analyzes the relationship between the halal labeling variables and the brand image variables, which indicated that there was a positive relationship. The brand image of this cosmetic product on the case study is already well-known and widely known by cosmetic users. The result of this study found that the indicators on the brand image variable are a significant impact than the indicators on the halal labeling variable.

This indicator is related to the official labeling of halal on cosmetic products by the LPPOM MUI. Many respondents pay attention and care about the halal logo on cosmetic products. Consumers have believed that this product is guaranteed quality. Furthermore, consumers know that it is not easy to get a halal logo or halal certification because the business unit must go through the inspection stages in the production process and product raw materials. Furthermore, this indicator is the highest in the halal labeling variable because the respondents are around 21-30 years old who are classified as adults because they will want to look attractive in front of others. This result concluded that consumers have a high level of knowledge in selecting halal labeling on cosmetic products. A study also stated that the right knowledge level in a product could drive consumers' decisions to buy a product [18].

Moreover, the most critical indicator of the brand image variable is the brand association indicator because the respondents have a lot of knowledge about the product and have long been users of this product. Then, product sales locations have been found in various places, so consumers easily find halal cosmetics. Respondents also believe this product is safe to use and has an affordable price to consumers. Indicator of brand loyalty and brand equity also is categorized high because many consumers are loyal to this cosmetics brand. Thus, they decide continuous purchases and do not choose other products.

These cosmetics advertisements are also widely on social media, television, and others because advertising content can increase the confidence of consumers and potential customers. The existence of this customer loyalty can affect new consumers because they have obtained information about this product from other people. Overall, the halal label is the main focus in Indonesia because of the majority of Muslims and halal products are the primary choice for the food and raw materials sector. A study also stated that loyal customers were proportional to brand loyalty [19].

Finally, halal labeling on cosmetic products has a positive effect. The results of this study also solve the problem of the inclusion of halal certification in cosmetic products having a high level of attractiveness to consumers. It was evidenced in halal cosmetics advertisements proven effective in keeping consumers paying attention to the brand image of halal cosmetics. Thus, the performance of halal labeling on cosmetic products was appropriate in making decisions for product promotion. This research proved that the halal labeling on cosmetic products gives a positive value to increase the great opportunity in influencing consumer buying decisions.

V. CONCLUSION

This research has found a positive impact of Halal labeling on the brand image of the cosmetic products in Indonesia. The results of data processing using the structural equation modeling method proved that the performance of halal labeling has a significant effect on brand image on halal cosmetic products. This research directs business units to increase the promotion of halal labeling in cosmetic products. Then, further research is suggested to conduct a study of product name selection to implement the concept of halal on the product and also compare halal labeling with non-halal labeling on cosmetics products. It aims to increase consumer confidence in buying cosmetic products.

ACKNOWLEDGMENT

The authors thanks to the Ministry of Religious Affairs Republic of Indonesia and Sultan Syarif Kasim State Islamic University which supported this research.

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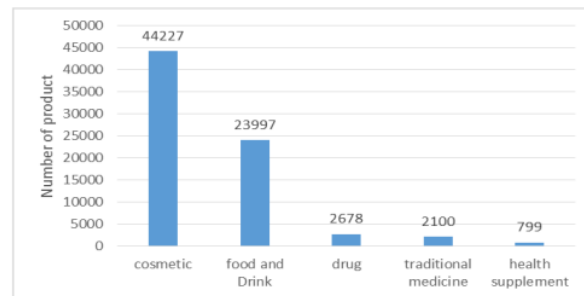


Fig. 1. Products with marketing authorization in Indonesia in 2019
(Source: <http://cekbpom.pom.go.id/>, 2019)

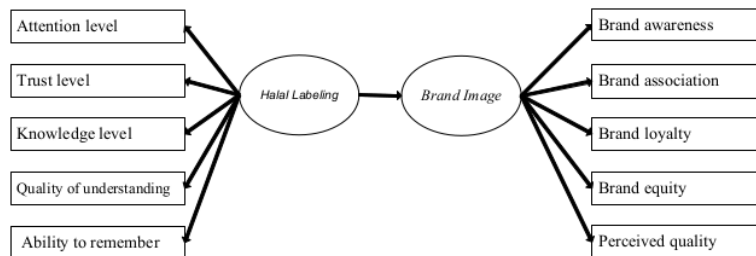


Fig. 2. Framework of study

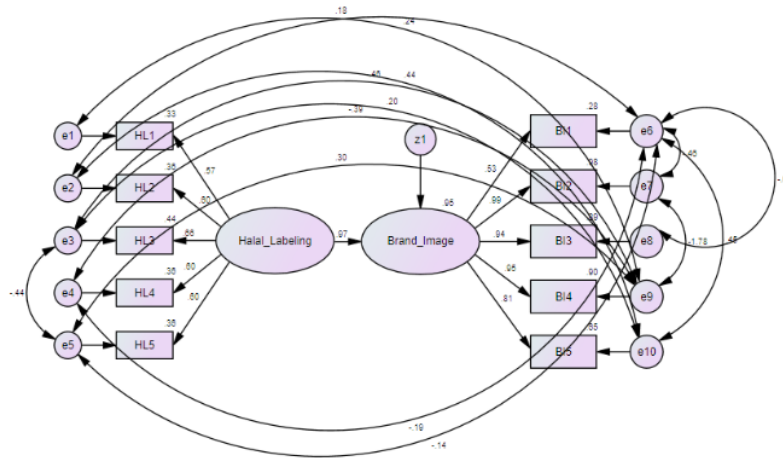


Fig. 3. Path coefficients of the hypothetical model of halal labeling (HL) and brand image (BI).

Note: BI1= brand awareness, BI2 = brand association, BI3 = brand loyalty, BI4 = brand equity, BI5 = perceived quality, HL1 = attention level, HL2 = trust level, HL3 = knowledge level, HL4 = quality of understanding, and HL5 = ability to remember.

TABLE 1
GENERAL DATA ANALYSIS

Description	Frequency	Percentage
Age		
20-22	128	64%
23-25	46	23%
26-28	18	9%
29-30	8	4%
Academic degree		
Master degree	10	5%
Bachelor degree	47	23.5%
Lower than the bachelor degree	143	71.5%
Information		
Advertising	86	43%
Internet	69	34.5%
Newspaper	45	22.5%
Experience (years)		
1-2	124	62%
3-4	53	26.5%
5 +	23	11.5%

TABLE 2
MODEL FITTING INDEX VALUE

Goodness of fit Measure	Recommended Value	Result	Description
X ² test statistic/df	≤ 3.000	1.733	Good Fit
GFI	≥ 0.900	0.964	Good Fit
AGFI	≥ 0.900	0.901	Good Fit
CFI	≥ 0.900	0.991	Good Fit
NFI	≥ 0.900	0.979	Good Fit
RMSEA	≤ 0.080	0.062	Good Fit
SRMR	< 0.050	0.010	Good Fit
TLI	≥ 0.900	0.979	Good Fit

TABLE 3
STANDARDIZED REGRESSION WEIGHT

Construct	Estimate	S.E.	C.R	P	Standardized Regression Weight	Hypothesis
BI ← HL	0.798	0.133	6.021	***	0.974	Accepted

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